

ORIGINAL

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of
Policies and Rules
concerning Toll Fraud

)
) CC Docket No. 93-292
)

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REPLY COMMENTS

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SUMMARY

As evidenced by the number of comments filed in this proceeding, Toll Fraud is a significant problem for the telecommunications industry as well as a significant concern for consumers. BellSouth does not attempt to address all the issues raised in the comments but limits its reply to those matters having a direct impact on its own service provisioning responsibilities.

Regarding payphone issues, BellSouth does not favor provisioning a cuckoo tone since necessary technology does not exist for central office origination and it would be too expensive to perform on an individual location basis. In addition, BellSouth believes such a requirement would produce adverse effects on service quality.

If a recognition tone is employed, it should be provided at the international gateway. Under this method a query sent to the LIDB which returns a tone in the event the station subscribes to billed number screening.

LEC provided "coin line" services, such as BellSouth's SMARTLine(SM) Service, offer significant protection against fraud by clip-on devices. This service will soon be available throughout BellSouth's region.

Fraudulent calling to the 809 area code can be prevented through new software, introduction of a new call

screening feature, or through action by NANPA to redesignate the 809 area code as international.

Fraudulent use of an otherwise valid LEC calling card is difficult to detect. However, LIDB has proved to be a very effective means to detect and control toll fraud. It can be made more effective through consistent validation on every call and through IXC delivery of the calling and called number.

BellSouth offers several features to enhance security of its Centrex/PBX products including blocking options, authorization codes and other customer control features.

Cellular carriers should not be charged for IXC losses occasioned by cloning fraud since such usage cannot be detected. However, consistent with the Commission's general position, to the extent cellular carriers are capable of observing calling patterns, the cellular carrier should accept the appropriate portion of liability. BellSouth believes that tampering with ESN should be a made crime.

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REPLY COMMENTS

BellSouth Telecommunications, Inc. and BellSouth Cellular Corporation ("BellSouth") herewith offer their reply comments in the above-captioned proceeding. More than one hundred forty parties filed initial comments in response to the Commission's notice of proposed rulemaking.¹ Accordingly, BellSouth will not seek to address all issues raised in this voluminous commentary, but instead will limit this reply to matters having a direct impact on its own service provisioning responsibilities.

PAYPHONE ISSUES

1. Use of Cuckoo Tone

BellSouth does not favor provisioning a cuckoo tone at central offices or individual payphone locations. At present, the necessary technology does not exist for central office origination. To provide the function from individual

1 In the Matter of Policies and Rules concerning
Toll Fraud, CC Docket No. 93-292, FCC 93-496, Notice of
Proposed Rulemaking, released December 2, 1993 (hereinafter
"NPRM").

stations would be prohibitively expensive, given approximately 200,000 pay telephones and 63,000 private payphones within BellSouth's region which would have to be so equipped. Further expense would be incurred to effect necessary modifications to service order systems.

Use of the cuckoo tone may also produce adverse effects on service quality. It can interfere with the polling of billing data from "smart" payphones. The tone would be present on all call types (e.g., originating and terminating local calls, domestic toll calls), resulting in a degradation of service and confusion/irritation for legitimate payphone users. Finally, an overseas operator retains the capability of overriding the tone and completing any international call.

If a recognition tone is employed, it should be provided at the international gateway.² Using this method, an automated operator services platform will launch a query to the Line Information Data Base (LIDB) and return a tone for any station subscribing to billed number screening. This technology will protect not only payphones but all other restricted lines, including cellular. The system's capability of blocking calls where a tone has been generated represents a further significant advantage over the alternative technology.

² The international gateway is the IXC switch, which constitutes the point of entry into the U.S.

Finally, BellSouth continues to support number assignments for LEC and independent payphone providers in the 8XXX/9XXX series as recommended by the Toll Fraud Prevention Committee (TFPC). Experience has shown this measure to be an effective deterrent to fraudulent international collect calling and may be used instead of, or as a supplement to, tone generation.

2. Clip-on Fraud

To combat clip-on fraud, BellSouth locates the network interface in a secured area or at a height of eight feet, unless instructed otherwise by the location provider.³ All smart phones, including those of BellSouth, are susceptible to losses from clip-on fraud. Where available, BellSouth's "coin line" service offered to independent payphone providers ("SMARTLine(SM)") affords significant protection.⁴ With respect to non-coin line service, BellSouth is willing to amend appropriate tariffs to include language apprising payphone customers of the fraud potential attendant upon use of this form of network access.

³ BellSouth would oppose a requirement for privacy shields in the absence of any proven benefits to support this modification.

⁴ Within the BellSouth region, coin line service is offered under tariff in Florida and Mississippi. Tariffs have been filed in Georgia and South Carolina and are awaiting PSC approval. BellSouth will file coin line tariffs in the remaining five states (*i.e.*, Alabama, Kentucky, Louisiana, North Carolina and Tennessee) during the first quarter of this year.

3. LEC Anti-Fraud Services

Certain practices undermine the efficacy of LEC blocking and screening services and should be discontinued. Originating line billing of operator assisted calls can circumvent international call blocking service and promote fraudulent usage. Similarly, ANI II information provided by a LEC may be lost in call transfers between IXCs. In such cases, the LEC should be relieved of any liability for fraud losses sustained by the receiving IXC.⁵

4. Secondary Dial Tone

The phenomenon of secondary dial tone does not signify a problem in the public switched network but rather a design flaw in certain payphone sets. These sets have been engineered to analog switch technology and employ the momentary opening and closing of electronic relays to identify disconnect. They are not designed to function in a digital environment and lack the capability of detecting disconnect in a digital network.

As stated in BellSouth's initial comments, a switch feature has been deployed in those central offices using compatible equipment. Although helpful, the feature is not without limitations. Independent payphone providers must therefore share the responsibility of addressing this

⁵ In contrast, subscribers to BellSouth's Operator Transfer Service do receive ANI II information with the call transfer.

problem by refurbishing/replacing sets to meet digital network standards.

5. 809 Area Code

Current switching systems recognize international dialing by the 01/011 prefix. Domestic calls to the 809 area code are prefixed by dialing 1+ and are thus not identified as international by the switch. New software would be required to change this designation.

Alternatively, action by the North American Numbering Plan Administrator (NANPA) could redesignate the 809 area code as international and change the numbering to incorporate the appropriate prefix. In this event calls to the region now associated with the 809 area code would be subject to present international call blocking services.

A third approach would involve introduction of a new call screening feature to identify 809 area code calls. Such a service should be limited to call aggregator customers to prevent undue demands on existing switch capacity.

6. Comparative Liabilities of LECs and IPPs

Some parties use the occasion of this rulemaking to reprise their complaints of disparate treatment between independent and LEC payphone providers. BellSouth has addressed this issue in a variety of contexts, most recently in the docket initiated to consider the petition of the

Florida PSC, where the following appears in reply comments:

As the Commission has long recognized, no identifiable subscriber is associated with a LEC payphone--in contrast to COCOT equipment, where a private individual or entity obtains telecommunications service and thereby willingly undertakes the responsibilities attendant upon that status. Whatever the equities between IXC and COCOT may be in a specific instance; it is clearly appropriate that the LEC, obtaining no services from the IXC, should likewise bear no liability to the IXC for toll fraud from a LEC pay station.⁶

CALLING CARD AND LIDB ISSUES

1. Fraudulent Card Usage

Fraudulent usage of an otherwise valid LEC calling card is undetectable upon the first occurrence. Call volume or patterns must reach a pre-established level to generate an alert. BellSouth has set reasonable thresholds within its LIDB and fraud prevention system which incorporate the views of interexchange carriers. Moreover, acceptance or not of a LEC calling card for billing purposes is entirely within the discretion of the IXC.

2. Receipt of Access Charges for Fraudulent Calls

Some commenters complain that LECs profit from fraudulent calling card usage by virtue of the access charges they collect. In many cases a card issuing LEC receives no access revenues for calls billed to the card.

⁶ In the Matter of FLORIDA PUBLIC SERVICE COMMISSION, Request to Review Interstate and International Tariff Provisions Relating to Liability for Toll Fraud Charges, File No. 93-TOLL FRAUD-02, BellSouth Reply, July 6, 1993, p.2 (citations omitted).

This is true for all calls which originate and terminate outside the region of the card issuer.⁷

3. LIDB Service Reliability

Although LIDB is not an insurance policy, the service has demonstrated its value in fraud detection and control. Its effectiveness can be further enhanced through consistent validation on every call and through IXC delivery of the calling and called number. The latter requirement is essential to the provisioning of new features and improved controls and is a condition of service under BellSouth's LIDB Access Tariff. Absent voluntary compliance by IXCs, the Commission should mandate delivery of calling and called number information to LECs without charge.

BellSouth has every incentive to maintain accurate and timely validation data. The Company is itself the second largest customer of its LIDB service and receives the same validation data provided to IXCs. Further, BellSouth seeks to maintain LIDB Access as a viable product. Customers possess competitive alternatives and will not subscribe to LIDB if the service is perceived to be unresponsive to their needs.

To insure system integrity, BellSouth has introduced controls which govern data input. In addition, audits are

⁷ To illustrate, BellSouth would receive no switched access revenues on a BellSouth calling card call which originates in Los Angeles and terminates in New York City.

performed at specified intervals to maintain the accuracy of validation data.⁸

4. Liability for System Errors

Numerous parties have observed that no one should profit from fraud. To the extent an error in the LIDB data base permits the commission of fraud, BellSouth proposes to reimburse the affected IXC for its costs. BellSouth will not assume liability for the retail value of the call, which includes profits the IXC would not have realized in any event. No liability is accepted for unvalidated calls.⁹

CENTREX ISSUES

Fraudulent use of Centrex/PBX services is normally accomplished through compromise of password protected features (e.g., Direct Inward System Access (DISA), voice mail). Control of passwords must be the responsibility of the Centrex/PBX user.

BellSouth offers several features to enhance the security of its Centrex product. Multiple blocking options are available, including complete toll restriction,

⁸ CompTel's comments reiterate its charge that Mutual Honoring Agreements are discriminatory. CompTel, p. 7. This issue is beyond the scope of the present rulemaking. More importantly, the charge is groundless. Mutual honoring agreements have been, and continue to be, available to all IXCs on like terms and conditions.

⁹ BellSouth supports the comments of Sprint on this issue. Sprint, p. 2, Section II. Sprint is also correct in observing that a certain incidence of fraud is unavoidable. Sprint, pp. 9-10. Resultant losses must accordingly be treated as a business cost and reflected in the service rates of individual carriers.

authorization of 0+ calls only, and other variations. BellSouth also provides authorization codes, limiting call origination to certain designated stations. A customer control feature permits the Centrex customer to activate/deactivate these codes at will.

CELLULAR ISSUES

1. Cellular Carrier Liability

Neither IXCs nor cellular carriers can detect usage from telephones which have been fraudulently cloned; hence, there is no merit in a proposal to charge cellular carriers with IXC losses occasioned by cloning fraud. As some commenters have observed, in an equal access environment, both the cellular carrier and the IXC have the capability of observing unusual calling patterns. Where this is true, toll losses should be assumed by the IXC and cellular air time charges absorbed by the cellular carrier. By contrast, a cellular carrier reselling interexchange services has the capability--lacking to the IXC--of call validation. In such circumstances, the cellular carrier should accept liability for both airtime loss and IXC service charges attributable to fraudulent calls. This position is consistent with the general principle, enunciated by the Commission, that fraud liability should rest with the entity best able to detect and prevent fraud.

2. Electronic Serial Number (ESN) Tampering

BellSouth reiterates its view that tampering with a cellular mobile unit's ESN should be made a crime. Assuring the integrity of the ESN enables cellular carriers to establish validation processes for service provision and subscriber billing. The Commission should adopt more stringent requirements for assignment of a unique ESN to each mobile transmitter. BellSouth also supports the suggestion that the Equipment Authorizations Program (EAP) be used to enforce the prohibition against modification of an ESN, with forfeiture proceedings instituted against violators. Further, BellSouth renews its support for federal legislation to criminalize ESN tampering and to aid federal law enforcement agencies in their investigation and prosecution of cellular fraud.¹⁰

MISCELLANEOUS ISSUES

1. Subscription Fraud

BellSouth has been aggressive in its efforts to deter subscription fraud. Appropriate training for service representatives and installation technicians has achieved a reduction in losses of 67% in 1993 as compared with 1992

¹⁰ BellSouth maintains that the prohibition against ESN tampering should extend to cellular extension telephones (C2+), which modify the original manufacturer's ESN to permit override of an installed cellular telephone's ESN with the ESN of another telephone. These C2+ telephones and similar devices seriously compromise the cellular network and impede operation of the cellular carrier's validation process.

results. An educational video has also been produced for internal use. BellSouth is considering the introduction of an SS7 monitoring system (described in the comments of Bell Atlantic) and is currently evaluating vendor products.

The support of federal and state regulators is likewise necessary to combat subscription fraud. This assistance may include streamlined review/approval of tariffs which implement more stringent deposit policies and subscriber identification procedures and expedite disconnection in cases of suspected fraud.

Contrary to the position of some IXCs, LECs should not bear sole responsibility for losses attributable to subscription fraud. An IXC is not obligated to employ LEC presubscription of its customers but alternatively can perform its own customer screening at its discretion. Under these circumstances a system of shared liability, as proposed by Bell Atlantic, may be the most equitable.

2. Monitoring Services

BellSouth retains the view that LECs should not be required to offer monitoring services, but should instead be accorded latitude to provide those features deemed most useful to their specific customer base. The latter approach is superior by virtue of its ability to promote competition and innovation in provisioning such services.

3. Information Exchange

Mechanisms are needed which will permit a more open exchange of information among carriers for purposes of fraud investigation and control. Safeguards are also required to assure that data so obtained is not used for other purposes. BellSouth believes that intercompany contracts offer the best vehicle for achieving these objectives.

4. Dialed Number Recorder (DNR)

DNR placement on a subscriber line is a manual undertaking. Moreover, the DNR must be installed in the appropriate central office, which may or may not be the location where data is stored. The service is provided under contract at rates which recover BellSouth's costs, plus a reasonable contribution to overhead.

5. Call Forwarding

The IXC Industry Committee - Toll Fraud Subcommittee (IXC-TFS)¹¹ advocates the development of protocols which would signal an IXC when call forwarding is activated. These protocols would be costly to implement and would address only a limited amount of fraudulent usage. Moreover, fraud of this description is usually accomplished through coin phone origination of international calls which are subsequently billed to a third number. Thus, a

¹¹ The IXC-TFS is not a body recognized by the Alliance for Telecommunications Industry Solutions (ATIS) and is not associated with the TFPC. ATIS affiliation is limited to those committees which provide representation to all industry groups as opposed to a single segment.

prohibition on coin originated, bill to third number calling to international destinations appears a more direct and efficacious means of curbing this type of fraudulent activity.

6. Three Way Calling

Three way calling is primarily used in cases of subscription fraud and inmate service fraud. As described above, other means are available to address the problem of subscription fraud. With respect to fraud in the use of inmate service, three way calling detection is now being deployed in many inmate service systems. This feature is available to inmate service in all nine BellSouth states. Three way call blocking has been approved in four states, and approval is pending in four others. The service is not permitted in one state.


7. Software Changes

Switch failures attributable to software changes generally occur because the vendor has failed to observe LATA Switching Systems Generic Requirements (LSSGR) or has neglected to carry forward "fixes" from previous software releases. Errors in installation also account for some switch failures. Thorough vendor testing before deployment of new software will greatly reduce the incidence of such problems.


BellSouth urges the Commission to adopt new measures for the detection and prevention of telecommunications fraud, which are consistent with the views expressed herein and in BellSouth's initial comments, filed January 14, 1994.

Respectfully submitted,

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